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**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
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MEMORANDUM



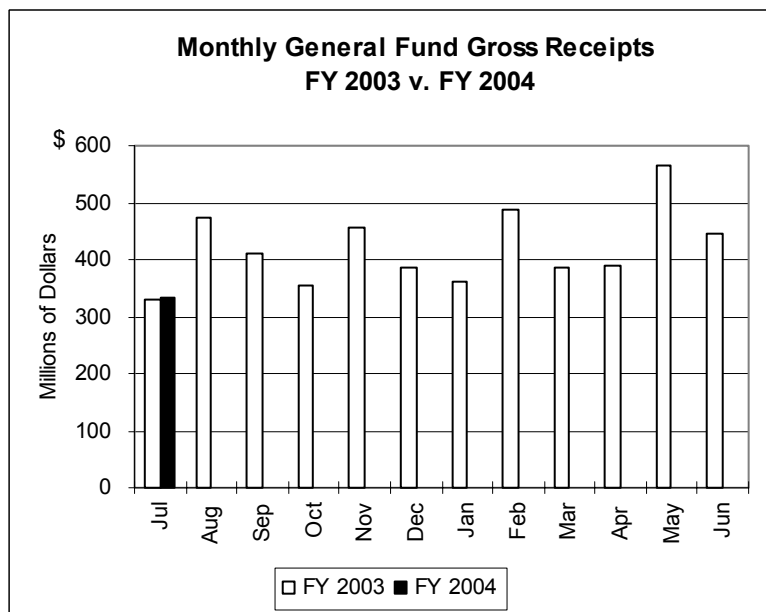
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: August 1, 2003

Monthly General Fund Receipts through July 31, 2003

The attached spreadsheet presents total FY 2004 monthly General Fund receipts, with comparable figures for actual FY 2003. These figures can be compared to the FY 2004 estimate (\$5.119 billion) set by the Revenue Estimating Conference (REC) on April 9, 2003. The estimate represents an increase of \$72.0 million (1.4%) compared to actual FY 2003 gross cash receipts (excluding transfers). The next Revenue Estimating Conference is scheduled for August 5, 2003.



FY 2004 Compared to FY 2003

Year-to-date FY 2004 total gross revenues (excluding transfers) increased \$3.0 million (0.9%) compared to the same time period of FY 2003. Major revenue sources contributing to the change include:

- Income withholding tax payments (positive \$7.7 million)
- Income tax estimate payments (negative \$3.6 million)
- Sales & use tax (positive \$5.5 million)
- Corporate tax payments (negative \$5.3 million)
- Insurance premium tax (positive \$3.9 million)
- Interest (negative \$3.9 million)
- Gambling revenue (positive \$3.6 million)
- Veteran's Home net budgeting (negative \$2.9 million)

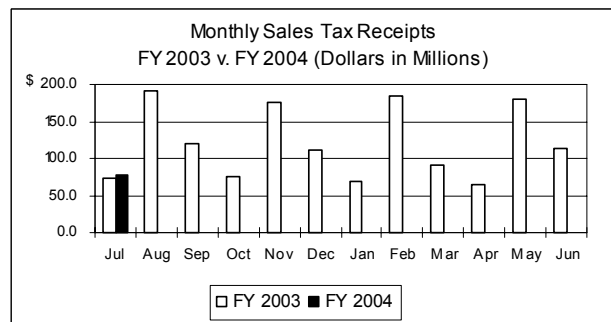
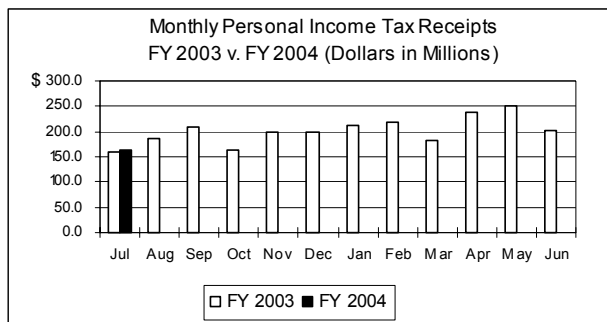
Personal income tax revenues received in July totaled \$161.7 million, an increase of \$2.8 million (1.8%) compared to July 2002.

The State tracks personal income tax in three sub-categories.

- During the month of July, withholding tax payments increased \$7.7 million (5.5%).
- Income tax receipts from quarterly estimate payments decreased \$3.6 million (- 17.5%).
- Income tax payments with tax returns are not a significant revenue source in July.

The FY 2004 REC income tax estimate of \$2.498 billion represents a projected increase of 3.3% compared to actual FY 2003. The year-to-date change in personal income tax receipts is 1.8% through July.

The following Chart compares FY 2004 monthly personal income tax receipts from all three sub-categories with FY 2003.



Sales tax receipts received in July totaled \$78.6 million, an increase of \$5.5 million (7.5%) compared to July 2002.

The REC estimate for FY 2004 sales tax receipts is \$1.465 billion, which represents an increase of 1.0% compared to actual FY 2003. The year-to-date growth in sales tax receipts is 7.5%.

The preceding Chart compares FY 2004 monthly sales tax receipts with FY 2003.

Use tax receipts received in July totaled \$25.6 million, an increase of \$42,000 (0.2%) compared to July 2002.

The REC estimate for FY 2004 use tax receipts is \$245.0 million, which represents a decrease of 3.6% compared to actual FY 2003. The year-to-date growth in use tax receipts is 0.2%.

Corporate tax receipts received in July totaled \$10.8 million, a \$5.3 million decrease (- 32.9%) compared to July 2002.

The REC estimate for FY 2004 corporate tax receipts is \$238.0 million, which represents an increase of 0.4% compared to actual FY 2003. The year-to-date growth in corporate sales tax receipts is negative 32.9%. Corporate sales tax receipts in July 2002, were artificially high due to June 30, 2002, falling on a weekend. This pushed June 2002 receipts into July 2002.

Insurance premium tax receipts received through July are \$3.9 million (359.1%) above FY 2003. Changes made to insurance premium tax prepayments (SF 2318 – Insurance Tax Reduction Act of 2002) increased June and July receipts by approximately \$10.0 million.

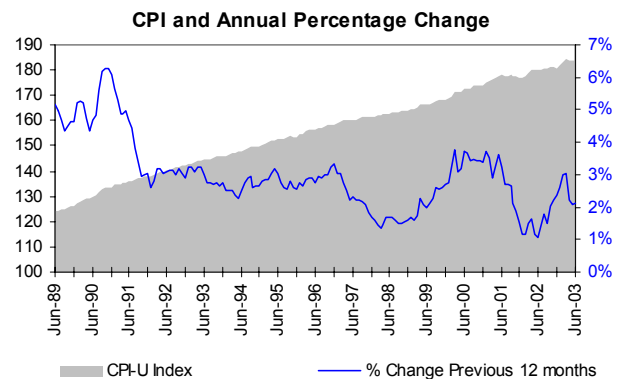
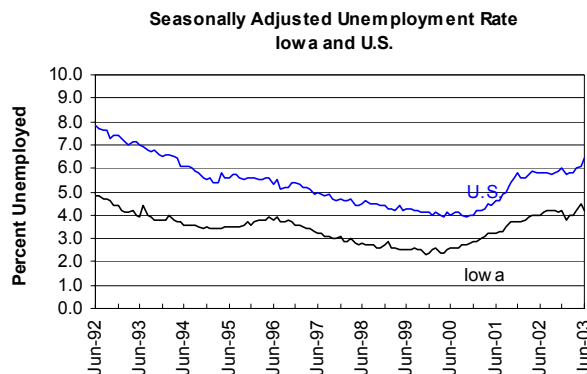
Status of the Economy

The June seasonally adjusted Iowa civilian unemployment rate was 4.2%, down from the May 2003 rate of 4.5%. The Iowa unemployment rate for June 2002 was 4.0%. Iowa's total adjusted June employment registered at 1,572,600, down 30,500 from last year's level. The number of unemployed persons in Iowa was reported at 69,600 in June, an increase of 2,800 compared to last year's level.

The U.S. unemployment rate in June was 6.4%, 2.2 percentage points above the Iowa rate. The U.S. rate one year ago was 5.8%.

Consumer prices increased 0.11% during the month of June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2003 was 183.7 (1983/84=100), 2.1% higher than one year ago.

The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through June.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2003 vs. FY 2004 July 1 through July 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 03 Actual Compared to FY 04 REC Estimate		
	FY 2003	FY 2004	Year to Date % CHANGE	July % CHANGE	Actual FY 2003	Estimate FY 2004	Projected % CHANGE
Personal Income Tax	\$ 158.9	\$ 161.7	1.8%	1.8%	\$ 2,417.6	\$ 2,497.5	3.3%
Sales Tax	73.1	78.6	7.5%	7.5%	1,450.3	1,465.0	1.0%
Use Tax	25.6	25.6	0.0%	0.0%	254.2	245.0	-3.6%
Corporate Income Tax	16.1	10.8	-32.9%	-32.9%	237.0	238.0	0.4%
Inheritance Tax	8.3	7.3	-12.0%	-12.0%	88.1	81.0	-8.1%
Insurance Premium Tax	1.1	5.0	354.5%	354.5%	142.2	153.0	7.6%
Cigarette Tax	6.8	7.0	2.9%	2.9%	88.1	85.0	-3.5%
Tobacco Tax	0.6	0.8	33.3%	33.3%	7.4	7.0	-5.4%
Beer Tax	1.3	1.3	0.0%	0.0%	13.9	14.3	2.9%
Franchise Tax	3.4	3.3	-2.9%	-2.9%	35.3	34.0	-3.7%
Miscellaneous Tax	0.8	2.4	200.0%	200.0%	1.1	1.5	36.4%
Total Special Taxes	\$ 296.0	\$ 303.8	2.6%	2.6%	\$ 4,735.2	\$ 4,821.3	1.8%
Institutional Payments	4.1	1.5	-63.4%	-63.4%	16.2	14.8	-8.6%
Liquor Transfers - Profits	2.0	2.0	0.0%	0.0%	40.0	40.0	0.0%
Liquor Transfers - 7% Revenues	0.8	0.8	0.0%	0.0%	9.0	9.0	0.0%
Interest	4.3	0.4	-90.7%	-90.7%	18.1	10.6	-41.4%
Fees	5.5	6.2	12.7%	12.7%	72.1	68.2	-5.4%
Judicial Revenue	5.4	6.1	13.0%	13.0%	54.7	56.8	3.8%
Miscellaneous Receipts	5.6	2.1	-62.5%	-62.5%	41.4	38.0	-8.2%
Racing and Gaming Receipts	7.3	10.9	49.3%	49.3%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 331.0	\$ 333.8	0.8%	0.8%	\$ 5,046.7	\$ 5,118.7	1.4%